



Mark G. Thessin  
Vice President - Rates & Regulatory Affairs

June 1, 1999

Mr. David Waddell, Executive Director  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

**RE: Docket No. 97-01364**  
**United Cities Gas Company**

Dear Mr. Waddell,

In conformance with the Tennessee Regulatory Authority's (TRA) decision in Phase II of United Cities Gas Company's Performance Based Ratemaking (PBR) program and the tariff effective April 1, 1999 that was filed in compliance with the TRA's decision, the Company hereby submits its incentive/bonus program for non-executive employees in its gas supply department.

Under the Company's variable pay program, non-executive employees in the Company's gas supply department are eligible to receive additional pay or a bonus based on several weighted measures. For gas supply employees these measures consist of corporate measures involving earnings per share of Atmos, the net income of each business unit including United Cities, and shared services O&M expenses. The corporate earnings and shared services are weighted 25% each, with the business unit net income weighted 50%. Since the corporate and business unit measures are based on earnings and net income, the performance or lack of performance of each incentive program managed by gas supply personnel has an impact on the level of earnings or net income achieved. Dependant on the success of these programs, the opportunity for a variable pay payout for the gas supply personnel ranges from 2% to 10% of the individual's salary.

I would respectfully request that the TRA treat the filing as confidential since the filing involves sensitive employee information. In the event that any party should wish to use this information in the public domain, the Company would seek the opportunity to forward its arguments on why such a request would not be in the public interest.

If you should have any questions, please feel free to contact me at 615.771.8330.

Sincerely,

A handwritten signature in black ink that reads "Mark G. Thessin".

Mark G. Thessin

Cc: Consumer Advocate Division